

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF MISSOURI**

UNITED STATES OF AMERICA,)

Plaintiff,)

v.)

Case No. 11-00125-01-CR-W-GK

SONNY VLEISIDES,)

Defendant.)

**DEFENDANT'S MEMORANDUM IN OPPOSITION
TO SHOW CAUSE AND VIOLATION REPORT**

EXHIBIT 6

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Global Tech

The Sticky Situation That Delayed the Pebble Smartwatch

By Mark Millan - Sep 16, 2013 5:12 AM CT

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Pebble's smartwatch is supposed to display messages from your smartphone. Image courtesy of Pebble Technology.

Not since kindergarten had Eric Migicovsky spent as much time thinking about glue as he did last year.

While about 69,000 people waited for his company to ship the smartwatches they had ordered through the crowdfunding site Kickstarter, the CEO of Pebble was informed by his manufacturer in China that there was a problem: The adhesive designed to securely attach the screen protector to the electronic body wasn't sticking.

The glue problem was one of many unforeseen manufacturing and assembly issues that forced Pebble to miss its shipment deadline by several months. Such hurdles are common with any hardware product but can be particularly troublesome for small businesses on tight budgets, like those that use Kickstarter to raise money.

Pebble wasn't exactly strapped for funds last year (even though venture capitalists didn't like the idea). It took in more than \$10 million on Kickstarter through pre-orders and donations in April 2012. But each production problem could mean another delay, another missed order, another unhappy customer and another week Migicovsky must spend personally overseeing the process at his contractor's factory just outside Shenzhen.

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"We had the assembly line go down for days," Migicovsky said in an interview last week. "I learned what Christmas is like in China."

Manufacturing problems plague even the largest and most experienced operations. For the last couple of years, the U.S. Bureau of Engraving and Printing has struggled to print a new type of \$100 bill due to applying too much ink or none in some spots, as well as issues with wrinkling. Drug shortages resulting from quality control and other manufacturing issues have plagued the pharmaceutical industry, including Johnson & Johnson, the world's biggest seller of health-care products.

Before introducing the Pebble smartwatch last year, Migicovsky and his team had no experience working with manufacturers overseas. The Pebble's predecessor, called inPulse, sold just 1,500 units. Of those, 700 were assembled by the startup inside a garage in Waterloo, Ontario -- not far from BlackBerry's headquarters -- and the rest were put together in a small factory in San Jose, California.

When the Kickstarter campaign for Pebble took off, Migicovsky sought advice from a friend at Sifted, another hardware startup. Migicovsky was directed to a consulting firm called Dragon Innovation, which helped him connect with suppliers in Asia.

"We were actually planning to do it in San Jose," Migicovsky said. "But everything is built in China, and it's a big advantage to have the supplier just down the road."

Over the next eight months, Migicovsky spent about one-third of his time traveling back and forth between San Francisco and Asia. He invested in polo shirts to wear to business meetings, which often ended up dripping in sweat by the end of a sweltering summer day.

"Price negotiations are hard," Migicovsky said. "And it's hot over there."

Migicovsky signed an agreement with Taiwan-based Foxlink Group to assemble the Pebble watches in a plant near the southern Chinese city of Shenzhen. A team there attempted to recreate the formula Pebble had used to build its prototypes in Silicon Valley. At one point, things started to fall apart.

"The glue was failing," Migicovsky recalls.

The adhesive was crucial to Pebble's design because it helped to keep water from seeping in and shorting the electrical components, according to researcher iFixit. "Pebble employs tons of adhesive," iFixit wrote in a report.

Migicovsky flew to China and spent two to three weeks at the factory helping to figure out what went wrong.

"Experimentation follows a different course" in China, he said, where there are a lot of random trials without proper documentation, making any successful outcome difficult to reproduce.

"They're not using the scientific method," he said.

It turns out that the glue itself wasn't bad. "The moisture in the air in Shenzhen is different," he said.

The conditions in Chinese plants aren't necessarily what you see in staged photographs. There aren't people wearing bunny suits meticulously working on pristine, white factory floors.

"The window was open," Migicovsky said. If it rained, he urged the workers to move to a different room. Foxlink didn't respond to requests for comment.

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Even in less than ideal conditions, they eventually perfected the gluing process. Migicovsky said he enjoys the trial-and-error nature of assembly, but he recently hired a director of manufacturing to manage it all. While based in Pebble's headquarters in Palo Alto, California, Jake Lin spends about half his time in Asia.

Last-minute travel to Asia is still a fairly common occurrence for Migicovsky. He was in Taiwan last month. He's started keeping a small gym bag or backpack at home ready to be packed with a toothbrush, phone charger and laptop. He buys new clothes, including Polo shirts, once he arrives in Asia.

"It's much cheaper over there," he said.

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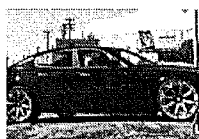
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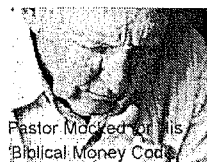
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